

# **INTRODUCTORY SECTION**

**City of Manchester  
Department of Finance**

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October 29, 2004

To the Honorable Board of Mayor and Aldermen and  
Citizens of the City of Manchester, New Hampshire

The Comprehensive Annual Financial Report (the "CAFR") for the City of Manchester (the "City") for the fiscal year ended June 30, 2004 is hereby submitted. The City's Finance Department prepared this CAFR. The purpose of this report is to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section, and the statistical section. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a listing of City officials. The financial section includes the independent auditor's report; management's discussion and analysis; the basic financial statements; notes to financial statements; and the combining and individual financial statements and schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal years.

The City's basic financial statements include all entities for which the City is financially accountable, and other organizations of the City for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board ("GASB") Codification Section 2100 has set forth criteria to be considered in determining financial accountability. This criteria includes whether the City, as the primary government, has appointed a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

The City has three component units - Manchester School District, Manchester Development Corporation, and the Manchester Transit Authority. Using the criteria of GASB Codification Section 2100, management determined that the three component units should be discretely presented.

The City is required to have an annual audit performed in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States of America

and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations." The federal single audit for the year ended June 30, 2004, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's report on compliance and on the internal control over financial reporting based on an audit of the basic financial statements, will be included therein.

**General Description** - The City, the largest city north of Boston, is located on the Merrimack River in south central New Hampshire, approximately 58 miles north of Boston, Massachusetts. It is bordered by the towns of Hooksett, Bedford, Londonderry, Goffstown, Auburn, Litchfield, and Merrimack. The City has a population of 109,234, according to the 2004 report of the New Hampshire Office of State Planning, and occupies a land area of 33.9 square miles. The Manchester Metropolitan Area, with a ten mile radius, has a population of over 310,000, and the Manchester Trade Area, with a 20 mile radius, has a population of over 628,000. The Manchester Metropolitan Area and the Manchester Trade Area are areas that the City believes represent key geographic regions for the City's growing economy.

The City's history dates back to 1651 and was first settled in the early Eighteenth Century by John Goffe, on land, which is now the City, that was the disputed territory of Massachusetts and New Hampshire. This land became part of New Hampshire when New Hampshire became a separate province in 1741. In 1751, the area was incorporated as a town and renamed Derryfield. Over the next century, the town evolved from a grazing field into a developing manufacturing center with major cotton and wool milling industries. Samuel Blodgett, the visionary of this development, compared the town to the industrial center of Manchester, England: hence, in 1810, the name of the town was officially changed to Manchester. In 1846, Manchester was granted its city charter. Manchester was one of the first planned cities in the country. Its streets are laid out in a grid pattern and major streets run parallel to the Merrimack River. In recent years the City's economy has undergone a transition from one that was manufacturing-based (textile) to one that includes a diverse array of businesses and industries.

The City owns and, through its Department of Aviation, operates Manchester Airport. Strategically located in the heart of northern New England, Manchester Airport offers air travelers easy access, competitive airfares, ample parking near the terminal and growing schedule of non-stop and direct jet service. Manchester Airport, a self-supporting, city-owned entity, is the largest commercial passenger, cargo, and general aviation airport in all of northern New England. Manchester Airport is completing a multi-year terminal and runway expansion project which when completed will permit enhanced service, including coast-to-coast non-stop flights and meet increased demand at the Airport.

**Government and Financial Controls** – The City operates with a strong mayor form of government. The Mayor is the City's full-time chief executive officer. The Mayor has appointment powers and budget line-item veto authority. The City's current charter (the "Charter") was approved by the voters of the City at the November 5, 1996 general election. The Charter includes an ethics policy, a local initiative option, and calls for the formation of a Charter Review Committee every ten years. A charter Review Committee was established during FY 2002 and produced its final report containing a proposed new Charter. The Board of Aldermen referred the Charter Review Committee's proposed Charter to City voters for consideration at the November, 2003 election. The proposed charter revisions included a return to partisan City elections as well as the elimination of the two at-large positions on the Board of Alderman and the School Board. The proposed new charter was defeated.

The City is governed by an elected Mayor and a fourteen member Board of Aldermen representing each of the city's twelve wards and two aldermen elected at-large.

The Board of Mayor and Aldermen approves the City's budget. The Board of Aldermen also nominates and appoints the City's officers. The Finance Committee, consisting of the entire Board of Mayor and Aldermen, approves labor contracts and also adopts monetary appropriations.

City financial management is the responsibility of the City's Department of Finance, which is staffed by 14 full-time personnel. The head of the Department of Finance is the Finance Officer of the City. The Department of Finance is responsible for establishing and maintaining a system of controls and financial reporting to ensure that the City's assets are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with law and generally accepted accounting principles (GAAP). The Department of Finance also performs significant and ongoing monitoring of the financial performance of the City's departments and enterprise funds, including monthly and quarterly interim reports and forecasted year-end revenue and expenditure/expense balances for all departments. As required by City ordinance and by the Charter, interim reports are submitted to the Board of Mayor and Aldermen and all City Department heads. Key revenue and expenditure/expense items are highlighted in these reports by the Finance Officer for attention by the respective readers.

Interim reports are reviewed with the Committee on Accounts, Enrollment and Revenue Administration ("COA"). The COA is a five member standing committee of the Board of Aldermen. The COA meets on a regular basis to review and to discuss financial matters.

The City has an adopted Investment Policy. The Finance Officer also reports on investment performance to the Board of Mayor and Aldermen on a quarterly basis.

The City has also adopted debt policies and ordinances for the handling of one-time revenues, insurance reserves and undesignated fund balances.

The City's interim financial reports, budget and CAFR are available for viewing on the City's award winning web page.

**Financial Information** - The City's accounting system is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, enterprise, trust, and agency. The type and number of individual funds established is determined by GAAP and sound financial administration. The general, special revenue, and capital projects are maintained on a modified accrual basis of accounting, generally with the revenues recorded when measurable and available and the expenditures recorded when the services or goods are received and liabilities are incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded when payable from current financial resources. Accounting records for the City's enterprise, pension, and trust funds are on the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The City also reports government-wide statements which includes all the funds of the primary government as well as all of its components.

**Internal Controls** - Management of the City is responsible for establishing and maintaining a system of internal controls over financial reporting to ensure that the assets of the government are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Controls are designed to provide reasonable, but not absolute assurance regarding (1) the safeguarding of assets against loss from unauthorized use; and (2) the reliability and accuracy of financial statements. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived; and that the evaluation of cost and benefits requires estimates and judgment by management. The City believes that its internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**Appropriation Process and Budget Control** - The Charter provides for the Mayor, and such other officials as the Mayor shall select, to prepare a budget for consideration by the Board of Aldermen. The Mayor's proposed budget must include certain historic and projected expenditure and revenue information and statements of anticipated tax levy and debt service requirements. The Mayor's proposed budget is referred to a public hearing. After the public hearing the BMA may adopt the proposed budget with or without amendment. If amendments are made, a second public hearing may be held prior to final adoption. The Mayor may veto the entire budget or line items thereof. In the event of a veto all portions of the budget not vetoed shall be passed. If the BMA fails to adopt appropriation resolutions for the ensuing fiscal year by June 30<sup>th</sup>, the Mayor's budget as originally proposed shall prevail.

The Charter also provides for supplemental appropriations, reductions of appropriations, and transfers of appropriations under certain limited circumstances.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the BMA. Activities of the general fund are included in the annual appropriated budget. Project-length budgets are prepared for the special revenue and capital projects funds. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the departmental level within each fund. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control. Unencumbered amounts lapse at year-end. Encumbered amounts at year-end are reported as reservations of fund balance.

**Biennial Budget** - Chapter 54 of the Laws of 1998 (RSA 32:25-26 Biennial Budgets) was adopted by the New Hampshire Legislature in an effort to provide municipalities with more management flexibility. The statute allows for biennial budgets to be adopted for the periods immediately following a municipal election, thus providing that elected officials could only adopt biennial budgets covering their two-year term of service. The City Charter also allows for the adoption of biennial budgets.

**Cash Management Policies and Practices** - Excess cash was invested in U.S. Treasury Bills, certificates of deposit, repurchase agreements, and the State of New Hampshire (the "State") Investment Pool. The maturities of the investments range from thirty days to six months, with the average maturity closer to the thirty-day range. This was certainly not due to a shortage of funds, but to the reality that the market was in an inverted yield curve position. Consequently, funds were invested for shorter durations to take advantage of the rate environment.

The City's Investment Policy conveys the concept that the preservation of capital and the liquidity requirements are the two primary factors considered in the structure of the portfolio. Whether instruments are marketed by banking institutions or pooled investment managers, they are subject to stringent requirements. Accordingly, approximately 55% of the investments held at fiscal year-end were collateralized through Joint Custody Accounts at the Federal Reserve Bank of Boston or through perfected collateral arrangements. This contributed to the classification of a low risk profile, which the City strives to maintain. Most accounts/securities were held and designated specifically in the name of the City, while the guarantor of the pooled investment arrangement is the nation's leading municipal bond insurer and a publicly traded, NYSE-listed company.

**Risk Management** - The City has a program of both self-insurance and policies for worker's compensation, health, and general liability. Under this arrangement a third party administrator manages the claims with the City Risk Manager.

The City has a pro-active Employee Safety Program with a Safety Officer and a Safety Committee meeting on a regular basis.

Liability, property, auto, and professional coverage are maintained with claims coordinated through the Risk Management office.

**Community Improvement Programs** – As part of the City budget process, the City Finance Officer provides the Mayor and Aldermanic CIP committee with a five year debt affordability forecast as a basis for the Planning Department development of the Mayor's recommended CIP program/budget. The project initiatives are envisioned over the ensuing fiscal period in accordance with the affordability forecast.

## **GENERAL GOVERNMENT FUNCTIONS**

### **Education Funding**

In June of 2004, the New Hampshire Legislature adopted an interim distribution formula for the state educational assistance funding. The effect of the new formula was to reduce the City's Adequate Education Grant from \$45,437,829 to \$42,051,653. The City has filed suit over the "process" used to amend the formula and the issue is currently pending before the New Hampshire Supreme Court. In response to the reduction of funds, the City's Board of Mayor and Aldermen and Board of School Committee took steps to restrict departmental spending citywide and dedicate additional undesignated FY 2004 fund balance for purposes of tax rate setting.

## **ECONOMIC DEVELOPMENT/MANAGEMENT INITIATIVES**

As the State's largest city and business center, Manchester boasts a diversified economic base. Both the State and the City are recognized nationally for their livability (#2 Healthiest State – 2001 United Healthcare Group; 2<sup>nd</sup> Safest State 2001 - Morgan Quinto; #2 in Child and Family Well-being - 2002 Kids Count Data Book; #4 State of Caring Index – United Way of America; #2 Highest Standard of Living 2000 Expansion Magazine; #5 Start Quality of Life Rating, measuring communities best suited for business expansion or relocation); #4 Most attentive City for manufacturers (Business Development Outlook, 1999).

Manchester has always been a city where business prospers. Once the site of the world's largest textile mill complex, the City today boasts an economy that is a diverse combination of manufacturing, service and retail firms. The history of Manchester is one of orderly growth, emphasizing the dual values of business prosperity and quality of life.

More than 200 diversified manufacturing firms call Manchester home. Nearly 70% of manufacturing jobs are in durable goods production, especially metal products, electrical products and machinery, and plastics.

Over 80% of the work force in the Manchester Metropolitan Statistical Area ("MSA") is employed in more than 2,000 non-manufacturing firms, and Manchester is the financial and commercial center of northern New England.

The Manchester MSA has over 8,000 commercial establishments, including more than 800 retail stores with annual sales of over \$2.4 billion (2001). Continuing expansion of financial and business services, supported by significant growth in population and personal income during the past decade, has contributed substantially to improvement of the area's economy.

The Manchester Metropolitan Statistical Area labor force numbers 120,450 while the unemployment rate is 3.2% (October 2004).

#### *Economic Development*

The City has made a major effort in recent years to diversify its economy. This planned effort has led to the location of an array of businesses and industries in the City, and has provided a strong base for future economic development activities. Much of this diversification was accomplished through redevelopment projects, which required a high degree of public and private cooperation.

#### Downtown Revitalization

The rehabilitation of the City owned "Chase Building" in the center of downtown is now complete and has been recognized with three preservation awards. This project was made possible utilizing a \$1 million grant from the U.S. Department of Commerce, Economic Development Administration, a \$1 million loan using Housing and Urban Development (HUD) Community Development Block Grant (CDBG) funds, a \$1.55 million loan from the HUD Section 108 Loan Guarantee Program, and a \$200,000 loan from the Manchester Development Corporation. The 44,000 square foot, six story structure is a tax deeded property that was made possible by a public/private partnership with a developer who has guaranteed to pay off all debt in exchange for an option to purchase the building at the end of fifteen years. In addition to the Chase Building, the Bond Building and the Dunlap Building have been redeveloped in the same area with the McQuade Building scheduled to be completed by December 2004.

The completed "Bond Building" renovation includes approximately 5,000 square feet of retail, 5,000 square feet of office space and 9 units of market rate housing. This project is privately owned and financed through the use of \$1.552 million in HUD Section 108 loans, \$288,000 in CDBG funds, \$150,000 from Manchester Housing and Redevelopment Authority, and a \$100,000 private investment from the Bank of New Hampshire. All funds were loaned to the project with various repayment schedules.

The Dunlap Building was another blighted structure that has been recently renovated. This was made possible through a loan from the City in the amount of \$1.35 million and \$450,000 from the Manchester Development Corporation. This privately owned building contains approximately 5,000 square feet of retail and 20,000 square feet of class "B" office space. The "McQuade Building" will be another mixed use project with an overabundance of preleasing already in place. Funding utilized \$1.920 million in HUD Section 108 loans, \$250,000 in Manchester Development Corporation loans and a \$230,000 loan from Manchester Housing and Redevelopment Authority.

The Residences at Manchester Place, received approvals from the Board of Mayor and Aldermen to address a long-standing vacant lot at a major downtown intersection. The Residences at Manchester Place began construction at the intersection of Bridge and Elm Streets in May 2004. The building will contain 204 rental apartment units and 5,200 sq. ft. of retail space fronting on Elm Street, the City's retail spine. The City has committed to financing the construction of an adjacent 300 car-parking garage at a cost of approximately \$5,000,000. This project will be the City's first, new, downtown apartment complex in nearly 18 years. Total construction and development costs for The Residences at Manchester Place are calculated to be \$35.375 million. Funding for the project is as follows: HUD Section 221D(4) Insured Mortgage-- \$29,625,000; Section 108 Loan--\$500,000; and Developer Equity--\$5,250,000.

#### Riverfront Development

Manchester continues to recognize the tremendous potential of the Merrimack River adjacent to its historic Amoskeag Millyard. A strategy to redevelop its riverfront is reaping great benefits for the City. Key to this strategy is the public investment in development of the Stadium, the pedestrian river walk system (the "Riverwalk") and parking.

The Riverfront Project will include the construction of the Stadium, retail space, a hotel, luxury townhouses and two condominium residential towers. The Stadium will have capacity for over 7,500 spectators and will become the home of a AA baseball team in 2005.

In February 2004, Tyson, Inc. announced the closing of its meat packing plant in the City causing the loss of 550 jobs. Working with state and local agencies, as of August 1, 2004 all of the former Tyson, Inc. employees were reemployed. The Tyson, Inc. property, approximately 17 acres, is located along the Merrimack River just south of the new Stadium and north of Hesser College. The City, through the Manchester Housing and Redevelopment Authority, has entered into a purchase and sales agreement to acquire the property from Tyson, Inc. In conjunction with the acquisition, the Board of Mayor and Aldermen has authorized the City's Planning Department along with the Manchester Development Corporation to undertake a study of Downtown Manchester to guide the City in shaping future development.



## **SOURCES OF CITY REVENUES**

### **Property Taxes**

The principal revenue source of the City is the tax on real and personal property. There is no limit as to rate or amount. A single tax is levied for state, county, municipal, and school purposes. For New Hampshire municipalities the “assessment year” for taxing purposes runs from April 1 to March 31 of the following year. Taxes are due in Manchester in two installments, on July 1 and December 1 (subject to deferral if tax bills are sent out late). Interest accrues on delinquent taxes at a rate of 12 percent per annum from the due date to the date of payment. Real property (land and buildings) is subject to a lien for the taxes assessed upon it (subject to any paramount federal lien and subject to bankruptcy and insolvency laws). The City places a lien on delinquent property prior to May 1 of the following year. From the date of the tax lien, a two-year period of redemption is allowed the owner, during which time payment of taxes, interest, and costs will be accepted and the lien released. During the redemption period, 18 percent interest per annum is charged. Beyond the two year period of redemption, properties are deeded to the City (unless either the lien has been sold by the City, or the City has notified the collector that it will not accept the deed because acceptance could result in liability under environmental statutes imposing strict liability on owners). Except for any paramount federal lien and subject to bankruptcy and insolvency laws, tax liens take precedence over all other liens, and tax collector’s deeds are free and clear of all encumbrances.

The amount to be levied in each year is the amount appropriated or required by law to be raised for municipal expenditures less estimated receipts from other sources and less appropriations voted from available funds.

The annual tax rate and tax levy are established by the State of New Hampshire Department of Revenue Administration (DRA) in October or November of the fiscal year, based on adopted appropriations of the City and Hillsborough County and anticipated non-property tax revenues. Tax rates and levies are established separately for the county, municipal, and local and state school portions. The DRA recently approved a 5.76% increase in the overall property tax rate imposed on City taxpayers, from \$26.40 per \$1,000 of assessed valuation for fiscal year 2004 to \$27.92 per \$1,000 of assessed valuation for fiscal year 2005.

The tax levy calculations set forth in the following table for fiscal years 1999 through 2003 are presented in the same manner as supplied to DRA for tax rate setting purposes. A requirement of DRA is that all costs included under departmental appropriations on behalf of the MSD be reflected as part of the school costs and reduced from the original appropriation category. Therefore, the categorical amounts in the tax levy calculation cannot easily be equated to those shown below under “Fiscal Year 2004 Budget.”

### Calculation of Property Tax Levy

	2000	2001	2002	2003	2004
<b>Departmental Requirements:</b>					
General Government	\$15,138,988	\$22,412,332	\$22,795,572	\$21,089,086	\$ 19,369,214
Public Safety	29,385,878	32,896,813	35,675,949	36,920,465	40,196,357
Highways & Safety	16,491,509	18,125,291	15,326,474	18,111,301	18,685,055
Sanitation	1,693,622	1,785,333	6,440,962	2,966,376	2,835,157
Health	2,305,824	2,503,716	2,733,226	2,805,523	3,071,406
Welfare	1,299,024	1,269,737	1,461,074	1,476,875	1,307,294
Culture & Recreation	5,326,011	4,629,710	4,834,839	4,671,441	4,786,541
Economic Development	232,650	2,220,785	2,595,161	2,890,339	2,913,235
Education	102,722,154	106,832,425	115,808,857	121,148,267	126,575,275
<b>Debt Service Requirements</b>					
Principal on Long-Term Loans	9,175,353	10,287,693	10,034,398	10,890,802	10,363,628
Interest on Long-Term Loans	4,157,805	3,585,996	3,298,349	5,181,213	5,864,924
<b>Non-Departmental Requirements:</b>					
Transit Subsidy	674,000	663,330	725,000	725,000	850,000
Motorized Equipment	419,550	399,900	382,500	50,000	120,000
County Tax	7,494,747	8,045,138	8,736,858	8,465,440	8,770,087
Veterans Exemptions	623,155	590,700	573,400	575,200	565,500
Overlay Reserve for Abatements	593,100	(2,307)	1,081,931	1,023,700	1,542,714
<b>Total Estimated Requirements</b>	<b>197,733,370</b>	<b>216,246,592</b>	<b>232,504,550</b>	<b>238,991,028</b>	<b>247,816,387</b>
<b>Estimated Revenues:</b>					
Taxes, Penalties & Interest	1,716,703	1,587,210	1,152,162	1,140,787	1,262,999
Auto Registration	11,246,450	12,682,000	14,913,000	15,569,000	15,681,000
Licenses & Permits	3,290,916	3,888,400	3,806,100	4,422,038	4,459,276
State and Federal Revenues	7,660,814	8,160,596	8,533,036	8,862,815	9,080,714
Charges for Services	2,834,305	11,138,603	16,507,345	5,816,757	6,292,008
Interest	1,800,000	1,700,000	1,825,000	1,816,000	1,000,000
Surplus	700,000	1,800,000	1,500,000	2,250,000	1,600,000
Trust & Agency Funds	300,000	300,000	300,100	300,000	335,100
Miscellaneous	284,620	3,862,130	1,589,419	10,317,663	9,838,850
Education Adequacy Grant	36,878,752	36,878,752	42,283,387	42,473,084	45,567,271
State Education Taxes (1)	25,515,954	25,515,954	28,447,547	29,155,221	27,840,016
School Revenues	16,060,200	17,468,979	18,036,000	15,007,326	16,510,927
<b>Total Estimated Revenues</b>	<b>108,288,714</b>	<b>124,982,624</b>	<b>138,893,096</b>	<b>137,130,691</b>	<b>139,468,161</b>
<b>Tax Levy</b>	<b>\$ 89,444,656</b>	<b>\$ 91,263,968</b>	<b>\$ 93,611,454</b>	<b>\$ 101,860,337</b>	<b>\$ 108,348,226</b>

(1) State Education Taxes are included as part of the City's total tax levy.

As shown in the table above, for purposes of calculating the property tax levy, estimated departmental budgetary requirements, which in fiscal year 2004 totaled \$247,816,387, are assumed to be funded first from estimated non-tax revenues, which in fiscal year 2004 totaled \$139,468,161. The remaining budgetary requirements are then assumed to be funded from the property tax levy.

## Employee Relations

Pursuant to New Hampshire RSA 273-A, all public employees in the State of New Hampshire have the right to organize and to bargain collectively with their public employers on matters of wages, hours, and other conditions of employment other than managerial policy. The City has approximately 1,241 employees, of whom approximately 67% are bargaining unit members.

The following identifies Manchester's municipal labor organizations, their affiliations, the length of each contract and the date on which the contract expires.

<u>Organization</u>	<u>Affiliation</u>	<u>Length of Contract</u>	<u>Expiration of Contract</u>
Airport	Teamsters	3.0 Years	06/30/07
Public Works, Parks and Sanitation	AFSCME 298	3.0 Years	06/30/07
Police Department	MAPS	3.0 Years	06/30/07
Police Department	MPPA	3.0 Years	06/30/07
Water Works	USWA	3.0 Years	06/30/04
Fire Department	IAFF	2.0 Years	06/30/04
Police Department Support Staff	Teamsters	3.0 Years	06/30/07
Fire Department	MAFS	3.0 Years	06/30/07
Health Department	AFSCME	3.0 Years	06/30/07

AFSCME: American Federation of State, County, and Municipal Employees

MAPS: Manchester Association of Police Supervisors

MPPA: Manchester Association of Police Patrolmen

USWA: United Steelworkers of America

IAFF: International Association of Firefighters

Teamsters: Local 633 of NH

MAFS: Manchester Association of Fire Supervisors

The City and the applicable union have agreed to the material terms necessary to extend and/or modify of the existing collective bargaining agreements. New collective bargaining agreements, however, have not yet been executed.

In addition to the above listed groups that are officially organized, there is one other group that has retained their status as Non-affiliated Employees. The "Non-affiliated" group is comprised of administrative, clerical, and supervisory personnel in most of the departments listed above, as well as the entire segment of employees, which account for the "General Government" grouping.

## **Summary**

The combination of these new economic projects along with the City's successful investment in the Manchester Airport, the Verizon Wireless Arena and various Millyard initiatives should help sustain the City's economy for the next decade.

While the City has taken actions to stimulate the local economy, it should be recognized that the overall New Hampshire economy is still faring better in this period of economic uncertainty than any of its neighboring New England states. New Hampshire's current growth outpaces both national and New England averages.

While the City's current economy appears resilient with property tax collections remaining strong (99.09%), the Board of Mayor and Aldermen have adopted the above mentioned policies and capital initiatives to further strengthen the City's financial condition and the local economy during this anticipated sustained period of economic slowdown. These projects are aimed not only at providing jobs, but also more importantly, at enhancing local education and quality of life.

<b>BOND ISSUES AND CREDIT RATING DURING PERIOD</b>
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The general debt limit of the City is 9.75% of base valuation, a total capacity of \$815,916,140; not more than 7% of which may be incurred for School purposes. Water and Sewer projects ordered by the State Water Supply and Pollution control commission, self-supporting sewer debt, debt for urban redevelopment and housing purposes, and overlapping debt are excluded from the measure of indebtedness. Other water projects are subject to a separate, special debt limit of 10% of the City's base valuation. Borrowings authorized by special legislative acts rather than the general municipal finance statutes are also sometimes excluded from a city or town's statutory debt limit.

As of June 30, 2004 the City has a total outstanding General Obligation debt of \$278,995,333 and authorized and unissued debt of \$264,262,266 for compliance with various improvements, infrastructure improvements, and economic development projects.

The City was assigned the following credit ratings; FitchRatings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), have assigned the ratings of "AA+," "Aa2," and "AA+," respectively, to the Bonds.

The MSD was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

The MWW was assigned the following credit ratings; Fitch, Moody's and S&P, have assigned the ratings of "AA," "Aa3," and "AA," respectively, to the Bonds.

<b>INDEPENDENT AUDIT</b>
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State statutes and the City Charter require an annual audit by an independent certified public accountant. The City has engaged McGladrey & Pullen, LLP, Certified Public Accountants, to conduct the City's audit. In addition to meeting the requirements set forth in State statutes and the Charter, the audit was also designed to meet the requirements of the federal Single Audit Act and related OMB Circular A-133. The financial records, books of accounts, and transactions of the City for the fiscal year ended June 30, 2004 have been audited by McGladrey & Pullen, LLP. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports on internal controls and compliance can be found in a separately issued single audit report.

<b>ACKNOWLEDGEMENTS</b>
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I would like to thank all of the City's department heads, payroll and account clerks for completion of another successful year. I would especially like to thank the staff of the Finance Department for their dedication and attention to detail.

Respectfully submitted,

*Kevin A. Clougherty*

Kevin A. Clougherty  
Finance Officer

The organizational chart for the City of Aldermen is structured as follows:

- Mayor** (Elected by Citizens)
  - Board of School Committee** (Elected by Citizens)
    - School District
  - Welfare Commissioner** (Elected by Citizens)
    - Welfare Department
  - Board of Aldermen** (Elected by Citizens)
    - City Officers** (Nominated and Appointed by Board of Aldermen)
      - City Clerk
        - Office of the City Clerk
      - Finance Officer
        - Finance Department
      - City Assessors
        - Office of Assessors
      - Libraries
        - Library Trust Funds
    - Library Trustees** (Nominated and Appointed by Board of Aldermen)
      - Libraries
      - Library Trust Funds
- SPECIAL SERVICE BOARDS AND COMMISSIONS** (Nominated by the Mayor and Confirmed by the Board of Aldermen)
  - Conduct Board
  - Board of Recount
  - Art Commission
  - Heritage Commission
  - Planning Board
    - Planning Director
    - Planning Department
    - Community Improvement Program
  - Water Commission
    - Water Director
    - Department of Water
  - Conservation Commission
  - Zoning Board of Adjustment
  - Manchester Development Corporation
  - MDC Inc.
  - Trustees of Trust Funds
  - Board of Registrars
- DEPARTMENTS** (Nominated by the Mayor and Confirmed by the Board of Aldermen)
  - City Solicitor
    - Office of the City Solicitor
      - Risk Management
        - Safety Review Board
      - Chief Negotiator/Contract Administration
        - Personnel Appeals Board
  - Director of Human Resources
    - Department of Human Resources
      - Systems Advisory Committee
  - Director of Information Systems
    - Information Systems Department
  - Tax Collector
    - Department of Tax Collection
  - Fire Chief
    - Department of Fire Prevention
      - Fire Commission
  - Police Chief
    - Department of Police Protection
      - Police Commission
  - Director of Elderly Services
    - Department of Elderly Services
      - Elderly Services Commission
  - Health Officer
    - Department of Health
      - Board of Health
  - Director of Traffic
    - Department of Traffic
  - Superintendent of Parks, Recreation & Cemeteries
    - Department of Parks, Recreation & Cemeteries
      - Parks & Recreation Commission
  - Building Commissioner
    - Department of Building
      - Building Board of Appeals
  - Airport Director
    - Department of Aviation
      - Airport Authority
  - Economic Development Director
    - Economic Development Office
  - Director of Public Works
    - Building Maintenance Division
      - Highway Commission
    - Environmental Protection Division

**List of Principal Officials  
in office at the close of fiscal year ended June 30, 2004**

**Mayor**

Robert A. Baines

**Aldermen**

Ward 1	Mark E. Roy	Ward 7	William P. Shea *
Ward 2	Theodore L. Gatsas	Ward 8	Betsi L. DeVries
Ward 3	Frank C. Guinta	Ward 9	Michael D. Garrity
Ward 4	Mary A. Sysyn	Ward 10	George W. Smith
Ward 5	Ed Osborne	Ward 11	Henry R. Thibault
Ward 6	Paul Porter	Ward 12	Armand D. Forest
At-large	Michael J. Lopez	At-large	Daniel P. O'Neil

\* Chairman of the Board

**City Departments**

Finance Officer	Kevin A. Clougherty
Deputy Finance Officer	Randy M. Sherman, CPA
Second Deputy Finance Officer, Treasury Manager	Joanne L. Shaffer, CCM
City Clerk	Leo R. Bernier
City Solicitor	Thomas R. Clark
Commissioner of Welfare	Paul R. R. Martineau
Chief of Police	John A. Jaskolka
Fire Chief	Joseph P. Kane
Public Health Director	Frederick Rusczek, M.P.H.
Director of Public Works	Frank C. Thomas, P.E.
Director of Parks, Recreation & Cemetery	Ronald E. Ludwig
Director of Economic Development	Unfilled
Building Commissioner	Leon LaFreniere
Director of Traffic	Thomas P. Lolicata
Airport Director	Kevin A. Dillon
Director of Water	Thomas M. Bowen, P.E.
Director of Information Systems	Diane Prew
Director of City Library	John Anthony Brisbin
Director of Planning Board	Robert S. Mackenzie
Superintendent of Schools	Michael Ludwell, Ph.D.
Director of Human Resources	Virginia A. Lamberton
Director of Elderly Services	Barbara A. Vigneault
Director of Youth Services	Martin Boldin
Chairman Board of Assessors	Steven G. Tellier
Collector of Taxes	Joan A. Porter